

TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE



FISCAL NOTE

HB 2333 - SB 2390

February 29, 2016

SUMMARY OF BILL: Increases, from \$2,000,000 to \$10,000,000, the certificate of need thresholds for modifications for health care institutions other than hospitals, including renovations and additions to facilities. Increases such threshold for hospitals from \$5,000,000 to \$20,000,000. Increases, from \$2,000,000 to \$4,000,000, the certificate of need threshold for the acquisition of major medical equipment for service to patients. Limits a filing fee or examination fee imposed on an applicant to no more than \$5,000.

ESTIMATED FISCAL IMPACT:

Decrease State Revenue -- \$591,800

Decrease State Expenditures -- \$97,400

Assumptions:

- Currently, the amount of the initial fee is equal to \$2.25 per \$1,000 of the estimated capital expenditure involved, but in no case is the fee less than \$3,000, nor more than \$45,000.
- Based on information provided by the Health Services and Development Agency (HSDA), if application fees are capped at \$5,000, the state will lose an average of \$543,445 in recurring state revenue each fiscal year.
- The proposed legislation would raise the threshold for modifications for health care institutions other than hospitals from \$2,000,000 to \$10,000,000; this will result in fewer applications for certificates of need.
- Each year there is an average of 4.333 applications for projects costing between \$2,000,000 and \$10,000,000; as a result, the recurring decrease in state revenue is estimated to be \$21,665 (\$5,000 application fee x 4.333 applications).
- The proposed legislation would raise the threshold for modifications for hospitals from \$5,000,000 to \$20,000,000; this will result in fewer applications for certificates of need.
- Each year there is an average of 4.333 applications for projects costing between \$5,000,000 and \$20,000,000; as a result, the recurring decrease in state revenue is estimated to be \$21,665 (\$5,000 application fee x 4.333 applications).
- The proposed legislation would raise the threshold for modifications for the acquisition of major medical equipment for service to patients from \$2,000,000 to \$4,000,000 resulting in a decrease in certificate of need applications.

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- It is estimated there will be at least one application for acquisition of major medical equipment in upcoming years resulting in a recurring decrease in state revenue of \$5,000 (\$5,000 application fee x 1 application).
- The total recurring decrease in state revenue to the General Fund is estimated to be \$591,775 (\$543,445 + \$21,665 + \$21,665 + \$5,000).
- The HSDA has a staff of nine employees; with the reduction in applications for certificate of need, the agency estimates the elimination of one Health Services Development Examiner position and one Administrative Assistant. This would decrease recurring state expenditures by \$97,420 (\$70,348 + \$27,072).
- Facilities are already required to submit plans to the Department of Health for approval whenever substantial alterations to the facility are planned. There is not requirement that a facility notify the Department of the acquisition of major medical equipment.

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.



Krista M. Lee, Executive Director

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